



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

40058

B-179659

October 10, 1973

Mr. N. L. Conlin  
Authorized Certifying Officer  
Chicago Operations Office  
United States Atomic Energy Commission  
9800 South Cass Avenue  
Argonne, Illinois 60439

Dear Mr. Conlin:

Reference is made to your letter of August 31, 1973, with enclosures, requesting our advance decision as to the propriety of certifying for payment the reclaim voucher in the amount of \$325 in favor of Mr. Seymour Zirin, an employee of the Atomic Energy Commission for relocation expenses incurred by him in the purchase of a residence in Arlington Heights, Illinois.

The financial disclosure statement prepared under Regulation Z issued by the Board of Governors of the Federal Reserve System shows that the employee borrowed \$40,000 for the purchase of his residence and paid a loan service charge of 1 percent, or \$400. The settlement statement and other information provided indicate that the loan service charge was made up of a \$75 appraisal fee and \$325 in loan charges. You allowed the \$75 as being excludable from the finance charge and disallowed \$325 on the ground that this amount was a finance charge and therefore not reimbursable under the provisions of Regulation Z.

Subsequently the employee obtained a statement by the Olympic Savings and Loan Association, the lending institution in this case, which shows that the \$325, reported as a finance charge and an association loan charge, was in fact a charge for legal fees for drawing the documents of settlement and was made up of the following separate charges:

Closing Statements	\$125.00
Mortgage	80.00
Mortgage Note	80.00
Federal Reserve Regulation Z	40.00
	<u>\$325.00</u>

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"(e) Excludable charges, real property transactions.  
The following charges in connection with any real property transaction, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this part, shall not be included in the finance charge with respect to that transaction:

\* \* \* \* \*

"(2) Fees for preparation of deeds, settlement statements, or other documents.

\* \* \* \* \*

"(5) Appraisal fees."

In the decision B-178454, June 19, 1973, copy enclosed, we held--

" \* \* \* Where an itemization of amounts included in the service charge or fee is furnished, excludable charges as defined in subsection 226.4(e), above, may be reimbursed to the extent that they are bona fide, reasonable in amount and not for the purpose of circumventing or evading Regulation Z (12 CFR, Part 226)."

The itemization of amounts in this case indicates that the loan service charge was made up of excludable charges except for the charge of \$40 designated "Federal Reserve Regulation Z" which charge is to be considered part of the finance charge. See B-175839, June 19, 1972, copy enclosed.

The material forwarded, however, indicates that the breakdown of charges may not have been bona fide and that the amounts charged may not have been reasonable since an official of the lending institution has indicated that the breakdown was furnished for the convenience of the employee and was of no importance to the institution. Therefore, we believe the claimant, in order to be reimbursed, must show that the items which could otherwise be allowed were bona fide charges by the lending institution for the services indicated and that those charges were reasonable in amount. This test on the present record has not been met.

The voucher which is returned herewith is for handling in accordance with the above.

Sincerely yours,

Paul G. Dembling  
For the Comptroller General  
of the United States